
United States Department of Defense (USDOD) and Australian Department of Defence (ASDOD) Statement of Principles for
Enhanced Cooperation in Matters of Defense Equipment and Industry

The United States Department of Defense (USDOD) and the Australian Department of Defence (ASDOD), hereinafter referred to as “the Participants”, recognise that their governments, as allies of longstanding, share cooperative relationships in such defense activities as strict enforcement of export policies for defense systems and technologies, strong industrial security systems and compatible industrial security practices.

They value and intend to continue to support these relationships as well as their governments’ longstanding cooperation in intelligence sharing on matters of counterintelligence, law enforcement and arms proliferation; industrial security; countering economic espionage; and export control violations.

They also recognise that they share security interests that frequently may be advanced by the mutual acquisition of particular capabilities and technologies.

They wish to enhance the environment for mutual defense equipment and industrial cooperation for their mutual benefit by establishing a framework that will facilitate greater integration of their defense companies, where consistent with these purposes. They envisage a more unified and stronger U.S. and Australian industrial base that ensures reciprocal access to that base by both Participants.

Therefore, the Participants have reached the understandings reflected in this Statement of Principles (SOP). The principles established in this SOP are not intended to be legally binding nor to entail new fiscal obligations on either Participant. They are to indicate how existing agreements, arrangements or procedures may be implemented to best effect and to point the way to arriving at future agreements, arrangements or procedures which may be legally binding, where these may be of value.

The USDOD and the ASDOD intend to apply the provisions of this SOP to those matters within their respective areas of responsibility. They affirm the prerogatives of other agencies of their respective governments on certain matters related to this SOP and note that in the case of the United States, the provisions of the SOP do not apply to matters that are under the jurisdiction of other agencies of the government including the Department of State. They also note that within their respective governments there is ongoing work related to such matters to further the objective of cooperation between their governments, the outcome of which is not prejudiced by the provisions of this SOP. They also affirm their desire to promote similar cooperation between each of them and other allies, both bilaterally and multilaterally.

I - Purpose

1. The purpose of this SOP is to indicate the areas in which the Participants intend to enhance cooperation for their mutual benefit, including by finding common solutions to the problems identified; to define the principles on which existing agreements, arrangements, or procedures may be implemented to best effect and on which appropriate follow-on agreements, arrangements, or procedures, or amendments to existing agreements or arrangements, will be based; and to establish a process and intended timescale for the implementation of these principles.
2. This SOP is intended to establish principles for future agreements, arrangements, procedures or amendments to existing agreements or arrangements, which may cover the industrial, investment, and export sectors of defense in both countries.
3. The Participants have the firm intention to pursue the objectives of this SOP and to adopt, where appropriate, specific agreements, arrangements, procedures, or amendments to existing agreements or arrangements, to underpin the effective application of the principles specified in this SOP.

II - Harmonization of Military Requirements and Acquisition Processes

1. The Participants will seek better means to harmonize the military requirements of their armed forces. To this end, and proceeding from identified capabilities of common interest, the Participants will identify areas in which better harmonization is considered possible. In doing so, they will seek to make use of existing fora, wherever practicable.
2. The Participants will identify projects in their early stages that may be candidates for cooperative research, development, production, and procurement. (See Research and Development, below.)
3. The Participants will examine the possibility of harmonizing the procedures applicable to armaments acquisition, so as to remove impediments to effective cooperation.

III - Research and Development

1. The Participants recognise that technology, and research and development are indispensable for maintaining an effective defense industrial base and therefore recognise the need to use the limited resources available for defense-related research and development in an efficient and effective manner.
 2. In the context of this SOP, the Participants intend to make use of existing agreements, arrangements, or procedures, or to establish new agreements, arrangements, or procedures to:
 - (a) harmonize research and development programs and exchange information about national research activities where there are common interests with a view towards setting common objectives for research and development, avoiding unnecessary duplication of effort
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or major gaps in technology and technical capability, making the most effective use of dual-use and commercial off-the-shelf (COTS) technology;

(b) increase cooperation in programs that follow-on from research activity, in particular by undertaking technological developments with each other; and

(c) ensure the appropriate cost sharing of cooperative research and development.

IV - Meeting National Defense Requirements

1. Each Participant requires assurance that the other Participant will facilitate the supply of specified defense articles and defense services necessary to discharge their national security and foreign policy commitments. The Participants acknowledge that this assurance of supply is as important for industry as it is for governments, if industry is to adapt to the process of globalization.

2. Consequently, the Participants recognise the potential for a certain degree of mutual interdependence of supplies needed for national security. In order to achieve this, the Participants will explore solutions for achieving assurance of supply for both Participants. These solutions may include obtaining assurances, some of which may be legally binding, relating to the supply of defense articles and defense services, including technical data.

3. To further enhance this assurance, and with due consideration for the right of the Participants' governments to control the disclosure and use of technical information, arrangements will be considered that enable the other Participant to reconstitute, in circumstances to be defined, an indigenous supply of a particular defense article or defense service.

V - Sales and Export Procedures

1. The Participants confirm their desire to maintain a strong defense industrial capability as part of their industrial bases and the ability to export defense articles and defense services. Consistent with the intent of this SOP, they intend to explore possible approaches to achieving greater transparency and efficiency in their national procedures for exports of defense articles and defense services.

2. The Participants intend to explore means of simplifying the procedures for export of defense articles and defense services between themselves for their own use.

3. The Participants desire to see an improvement in the efficiency of the procedures for exports of jointly produced military goods to third parties. They intend therefore to examine the scope for establishing expedited procedures concerning acceptable export destinations for jointly developed and produced military goods and technologies.

4. The Participants intend to explore ways to ensure that their national laws and regulations for defense exports to third parties are implemented expeditiously in a spirit of

cooperation and with maximum efficiency. They intend to reinforce their cooperation and promote convergence in the field of conventional arms exports. They plan to examine measures to ensure adoption of effective controls on commercial arms exports, including by examining the possibility of harmonizing their controls.

5. The Participants will establish a high-level council to monitor and review export control and coordination measures, with a view towards accomplishing the preceding measures.

6. Pending new agreements, arrangements, or procedures, re-transfers by a Participant of defense articles and services, including technical information, originating in the territory of the other Participant, will be made in accordance with existing agreements, arrangements, contracts and procedures between the Participants.

VI -Security of Information

1. The Participants recognise the need to ensure that adequate and appropriate security provisions for the protection of classified information are in force in any relevant U. S. or Australian company, regardless of any multinational aspects of a company's ownership or management structure. The Participants will endeavour to avoid placing unnecessary restrictions on the movement of staff, information, or material between the Participants or their industry.

2. The Participants will examine means to expedite the transmission of classified information between themselves or between their industries subject to maintaining the requisite degree of security protection.

3. The Participants recognise the need to maintain similar standards in the granting of facility security clearances to companies which are owned or controlled by entities from the country of the other Participant, and which may have connections with entities owned, controlled, or influenced by entities of a third country. The Participants will also implement measures to address corporate governance as well as security of information held by companies, including compliance with export control regimes.

4. In doing so, consistent with the General Security of Information Agreement of 1962 between the Government of the United States and Australia, the Participants will ensure that no classified information is passed to companies or persons not suitably cleared or that do not have a need to receive it and that no classified information, including information carrying national caveats, originated by one Participant is passed to a third country national without the consent of that Participant.

5. Consistent with the preceding paragraphs, the Participants will use their best efforts, both individually and working together, to lessen the administrative burdens placed on their industry in the establishment and oversight of industrial security measures.

6. The Participants intend to develop procedures to streamline the process for approving visits to government or contractor facilities by employees of the government or contractors of the other Participant that may involve access to classified information.

7. The Participants will jointly address security vulnerabilities posed by new technologies.

8. The Participants will endeavour to harmonize and streamline their security procedures.

VII - Ownership and Corporate Governance

1. The Participants believe that the ownership of defense companies sited in the United States and Australia is a matter for the companies to determine, subject to the application of national security, anti-trust and other relevant laws. They wish to encourage the freest possible cross-border investment in defense-related industry.

2. While considering the implications for national security of any proposed international merger or acquisition, the Participants will not place unreasonable or unnecessary security restrictions on ownership and corporate governance.

3. The Participants will seek to implement to best effect existing agreements, arrangements, or procedures, or to establish new agreements, arrangements, or procedures which ensure that where companies are owned (fully or partially) by foreign entities, that classified information originated by the other Participant is not released to foreign nationals without the prior approval of that Participant. These agreements, arrangements, or procedures will include measures to address issues of corporate governance as well as security of information held by companies and compliance with national export control regimes.

VIII - Technical Information

1. The Participants confirm their desire to maximize the flow of technologies and technical information between themselves and between their defense-related industries. Accordingly, they will explore methods that could facilitate the flow of technologies and technical information between them and between their defense-related industries, while ensuring that the further flow of these technologies and technical information is strictly regulated by the governments. (See Sales and Export Procedures, above.)

2. These methods could include where appropriate, the removal of unnecessary controls on the flow of technology and technical information, different ways to authorize the flow of technology, and different ways to optimize the exploitation for defense of technology investments.

3. The Participants will seek the establishment of arrangements relating to the disclosure, transfer, and use of technical information which will facilitate the efficient operation of U.S. and Australian defense companies, consistent with proper safeguards. The Participants

recognise that technical information received from the other Participant shall not be further disclosed without the concurrence of the owner and, in the case of classified or export controlled unclassified information, without the concurrence of that Participant under whose laws, regulations, or rules the information was classified or is subject to export control.

4. The Participants will encourage the harmonization of their regulations and procedures for controlling disclosure and use of technical information in the field of defense.

IX - Promoting Defense Trade

1. Recognizing the obligations of the Participants under the "Memorandum of Agreement between the Government of Australia and the Government of the United States of America concerning Reciprocal Defense Procurement" of 1995, the Participants will seek to implement to best effect existing agreements, arrangements, or procedures or to establish new agreements, arrangements or procedures to promote defense trade between their countries.

2. The Participants will, on a reciprocal basis, endeavour to diminish legislative and regulatory impediments to optimizing market competition.

3. The Participants will endeavour to revise their acquisition practices to remove impediments to efficient global market operations and to support reciprocity of international market access for each other's companies.

4. The Participants will give full consideration to all qualified sources in each other's country in accordance with the policies and criteria of the purchasing government.

5. Each Participant will explore means to eliminate laws, regulations, practices and policies that require or favor national industrial participation in its defense acquisitions.

6. The Participants will educate their work force in the issues covered by this SOP.

X - Timetable

1. Policy-level discussions concerning the principles underlying this SOP and the intended United States-Australia cooperation and collaboration in facilitating the restructuring of their defense industry will be carried out by appropriate national authorities.

2. Working-level discussions will be held by working groups of subject matter experts, which may include representatives from other government agencies. These working groups may consult with the Participants' defense industries, as appropriate.

3. It is the intent of the Participants that the measures to implement to best effect existing agreements, arrangements, or procedures, the new agreements, arrangements, or procedures, or the amendment to existing agreements, arrangements, or procedures envisioned by this SOP be put in place as expeditiously as possible. Accordingly, they will endeavour to identify and develop these so that significant achievement in implementation of the

Participants' intentions can be reported to the Secretary of Defense and the Minister for Defence within one year after signature of this SOP. In addition, they will make periodic reports to the Secretary of Defense and the Minister for Defence on the progress being made in achieving the goals of this SOP.

Signed in duplicate at _____, on the _____ day of _____ 2000.

William S. Cohen
Secretary of Defense
United States of America

John Moore
Minister for Defence
Commonwealth of Australia